

IRS EXTENDS TIME FOR BUSINESSES TO MAKE ELECTRONIC DEPOSITS

WASHINGTON -- The Internal Revenue Service announced today that more than one million businesses will have an extra six months to switch from paper coupons for their federal tax deposits to the new Electronic Federal Tax Payment System (EFTPS).

The announcement applies to businesses required to make their federal tax deposits electronically beginning July 1, 1997, or January 1, 1998. Until today's announcement, these businesses would have been subject to a 10% penalty if they continued using the old paper coupon system after June 30, 1998.

Commissioner of Internal Revenue Charles O. Rossotti said, "The Electronic Federal Tax Payment System has made such substantial progress with existing business users that it will not be necessary to impose a penalty on July 1, as we previously planned."

EFTPS, a paperless system for making federal tax deposits, is available to all taxpayers. More than 1.5 million businesses have already enrolled in EFTPS, which now processes about \$20 billion in deposits weekly. Half a million businesses have enrolled in EFTPS voluntarily.

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EFTPS eliminates the paperwork in the old Federal Tax Deposit (FTD) coupon system. With EFTPS, deposits may be made by telephone or personal computer. This means no more trips to the bank to deliver FTD coupons and checks.

The announcement means affected businesses now have until January 1, 1999, before the IRS will impose penalties on those that continue using FTD coupons to make their deposits. Electronic deposits are mandatory for most businesses that meet certain federal tax deposit thresholds. The current threshold is more than \$50,000 per year of federal employment tax deposits or, if a business had no employment tax deposits, more than \$50,000 per year in deposits for other federal taxes.

Under EFTPS, taxpayers make electronic payment of their tax deposits through either NationsBank or First National Bank of Chicago, which serve under contract as Treasury Financial Agents. Funds move at the authorization of the taxpayer from his or her own bank account to the U.S. Treasury, through the Treasury Financial Agent.

The taxpayer controls both the amount of money transferred and when the money is transferred. The tax due date is the same as under the paper coupon system, with the taxpayer making the authorization a day or more ahead of time.

Today's announcement affects only the method of deposit. Deposits must always be made on time even when paper coupons are used, in order to avoid a late deposit penalty.

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